

Message Text

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44

ACTION EUR-25

INFO OCT-01 ADP-00 TRSE-00 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 EB-11 FTC-01 COME-00 OMB-01 GAC-01 OPIC-12

CIEP-02 CEA-02 RSR-01 /123 W

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R 101650 Z MAR 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 4566

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E. O. 11652: N/ A

TAGS: EFIN; EIND; PFOR, BGEN, EI

SUBJ: IRISH GOVERNMENT CONCERN RE US TAX PROPOSALS

1. GOI, THROUGH FONOFF PERMSEC HUGH MC CANN AND INDUSTRIAL DEVELOPMENT AUTHORITY MANAGING DIRECTOR, MICHAEL KILLEEN, MADE REPRESENTATIONS TO AMBASSADOR THAT GOI SERIOUSLY CONCERNED RE POSSIBLE LEGISLATION TO CHANGE US TAX LAWS RE US SUBSIDIARIES OPERATING OUTSIDE U. S.

2. MCCANN SAID IRISH GOVERNMENT DEEPLY CONCERNED RE POSSIBILITY THAT US COMPANIES MAY BE REQUIRED PAY US TAX ON EARNINGS OF OVERSEAS SUBSIDIARIES OPERATING IN IRELAND BEFORE PROFITS REMITTED TO PARENT US COMPANY.

3. PERMSEC SAID THAT SUCH A MOVE WOULD COMPLETELY NEGATE PRINCIPAL IRISH INCENTIVE TO COMPANIES ESTABLISHING IN IRELAND UNDER WHICH PROFITS DERIVED FROM EXPORTS OF GOODS MADE IN IRELAND ARE RELIEVED FROM IRISH TAX FOR 15 YEAR PERIOD. IN EFFECT, USG WOULD BE COLLECTING TAXES FOREGONE BY GOI.

4. MCCANN STRESSED VERY SPECIAL SITUATION IRELAND FACES AS LEAST DEVELOPED MEMBER OF EC. INDUSTRIAL DEVELOPMENT IS INTENDED TO PROVIDE HALF OF GROWTH REQUIRED BRING IRISH
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GNP UP FROM \$1500 PER CAPITA TO GENERAL EUROPEAN LEVEL.
80 PERCENT OF GROWTH MUST COME FROM FOREIGN INDUSTRIAL
INVESTMENT, OF WHICH 50 PERCENT COMES FROM U. S. IRISH ESTIMATE
THAT US TAXING OF SUBSIDIARY EARNINGS IN IRELAND COULD CUT
IRISH INDUSTRIAL GROWTH RATE BY AS MUCH AS 40 PERCENT.

5. CCANN ALSO NOTED THAT IRISH HAVE ALREADY GIVEN \$90 MILLION
IN GRANT ASSISTANCE TO US INDUSTRY, WHICH WOULD
BE LOST IF US COMPANIES LOSE INTEREST IN STAYING IN IRELAND.

6. GOI ASKS THAT SUGGESTED MEASURES NOT RPT NOT BE IMPLEMENTED.
IF NEVERTHELESS MEASURE FOUND NECESSARY, GOI REQUESTS ATH US
SUBSIDIARIES OPERATING IN IRELAND BE EXCLUDED FROM ITS SCOPE.

7. WE UNDERSTAND IRISH EMBASSY MAKING SIMILAR REPRESENTATIONS IN
WASHINGTON. MOORE

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973DUBLIN00478
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: DUBLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730325/aaaahmsz.tel
Line Count: 83
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Sep-2001 by rowellE0>; APPROVED <25-Sep-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 971119
Subject: IRISH GOVERNMENT CONCERN RE US TAX PROPOSALS
TAGS: BGEN, EFIN, EIND, PFOR, EI
To: EUR
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005